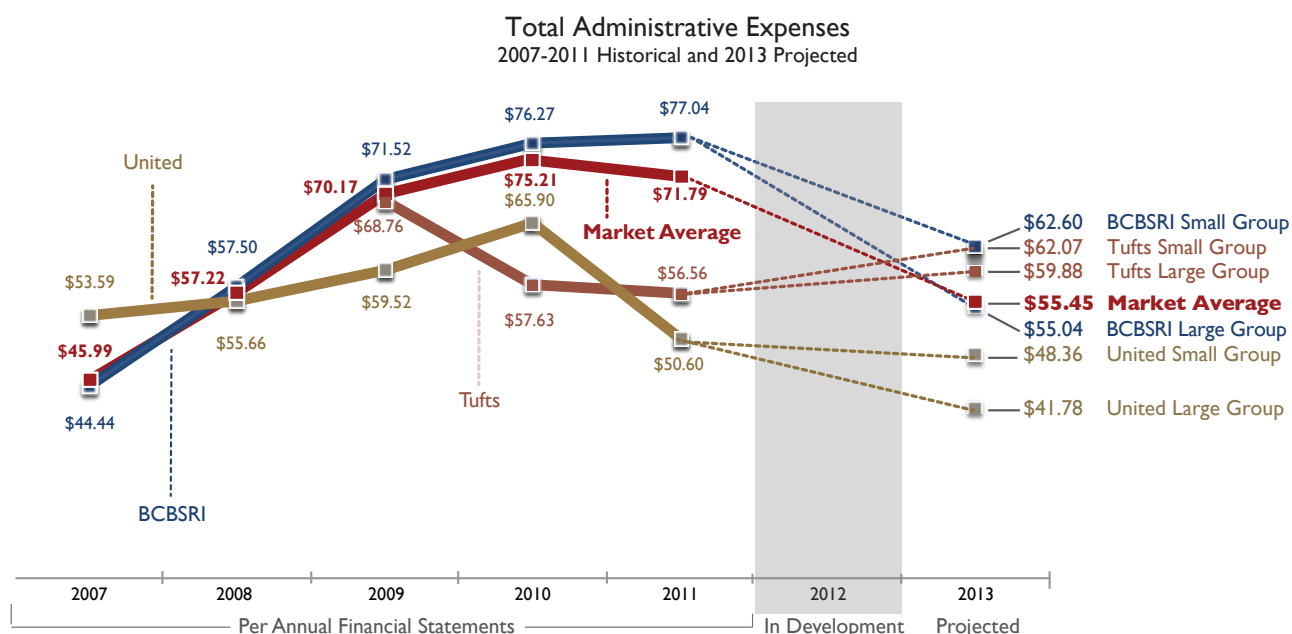




2012 Insurer Rate Review

Administration Costs Analysis

Administrative Costs Projected to Fall in 2013 After Steady Increase
Market Average Falls to \$55.45 PMPM | Projected Spending Higher in Small Groups



Source, all data unless otherwise noted: 2012 Rate Review Filings to the Rhode Island Office of the Health Insurance Commissioner (OHIC)

About This Report

This report is part of a series that explores Rhode Island's Rate Review process. The Office of the Health Insurance Commissioner (OHIC) annually reviews small and large group health insurance rate requests for the upcoming year. OHIC collects the requests, backup data, and other information to

support its final decision.

In this report, we present data on administrative spending submitted to OHIC. These costs include an insurer's basic operations, such as payroll and claims processing, and other non-medical spending such as technology investments and cost containment.

OHIC's analysis of health insurer administrative costs shows a recent decline in administrative spending after years of steady increases. For both Blue Cross Blue Shield of Rhode Island (BCBSRI) and United Healthcare (United), projected administrative costs decreased from 2011 while projections at Tufts Health Plan (Tufts) ran higher than in 2011.

For each of the issuers, 2013 administrative costs are projected to be higher in small groups than large groups, per member per month (PMPM). Small groups, with fewer members over which to spread fixed costs and broker fees, generally pay more per person than large groups.

The insurers also estimate their PMPM administrative costs differently. BCBSRI, a single state company, divides its total administrative spending by total Rhode Island member months. At United and Tufts, PMPM administrative costs less directly reflect Rhode Island member spending. Because both operate in multiple states, the local company receives administration figures from the parent company that are based on several factors, including membership, projected premium, and taxes.

Key Terms

Administrative Costs: spending on an insurer's basic operations other than medical claims

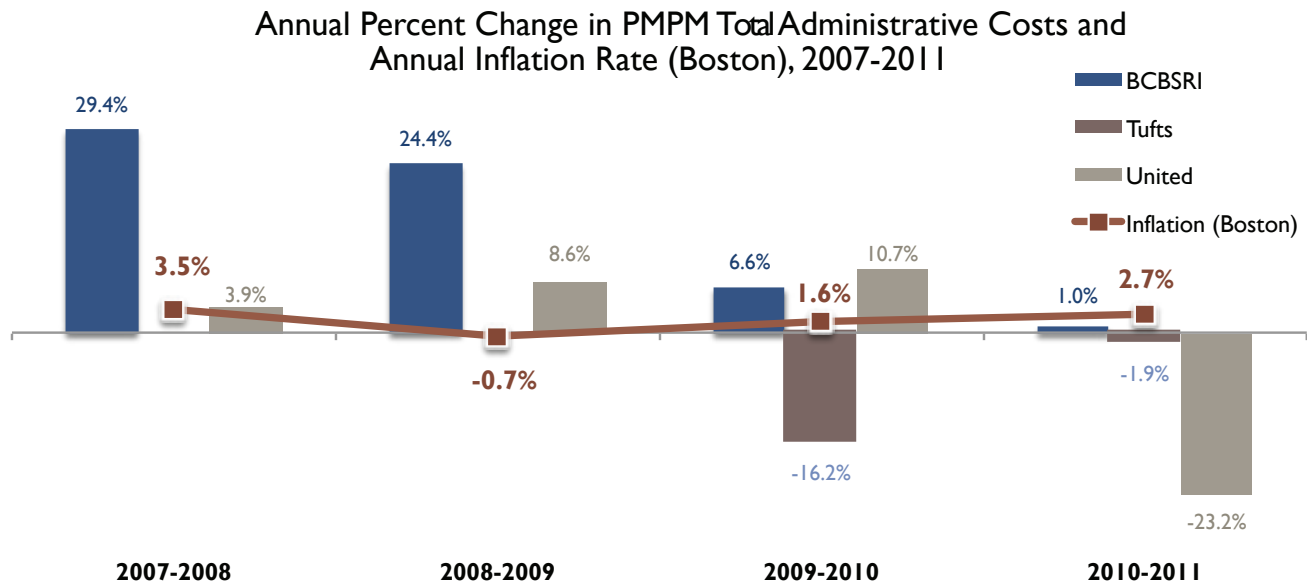
PMPM: per member, per month; a unit that allows for comparisons regardless of membership changes

Fully-Insured: the insurance company pays claims for a fully-insured member from the premiums it collects from all other members

Self-Insured: the group itself pays medical claims using money it collects from its own group members (usually employees)

Administrative Costs Grew Faster Than Inflation

In most year-over-year periods between 2007 and 2011



Source: Inflation: Consumer Price Index, All Urban Consumers, Boston-Brockton-Nashua, comparison of annual indices

The chart above compares the year-over-year percent change in total administrative spending for each company to the inflation rate in each period. Because administrative expenses do not include medical care, they are comparable to spending patterns across industries and in the general economy. Over a multi-year period, the annual change in administrative spending should track the general inflation trend. But, as the chart above shows, they may not.

Administrative spending from one year to the next may exceed inflation for several reasons. System upgrades, cost containment initiatives, and complying with federal mandates such as the ICD-10 coding change require spending in addition to the previous year's baseline amount. Companies make investments that they believe will lower future administrative cost growth or improve medical trend but recognize those costs upfront.

In particular, BCBSRI's administrative expenses increased sharply between 2007 and 2009 for three main reasons: loss of fully-insured membership (see table below), a major information systems upgrade and price pressure on self-insured premiums. At United, administrative costs dropped between 2010 and 2011 in part because the parent company estimated administrative spending based on a new formula, reducing costs for its Rhode Island company.

Spending growth can also drop below inflation when initiatives end, when companies make cuts, or when membership falls if a company relies on a membership allocation from its parent. To assist in constraining administrative cost growth to predictable and reasonable levels, OHIC targets per member per month measures for non-medical spending with the expectation of minimal year-over-year increases.

Membership and Administrative Costs: 2007-2011

Because much of a company's administrative costs may be fixed in the short-term, membership changes may cause PMPM administration spending to change as well. For instance, if membership falls in a given year, PMPM administrative costs will likely *increase* if these expenses are not a member-based transfer from the parent.

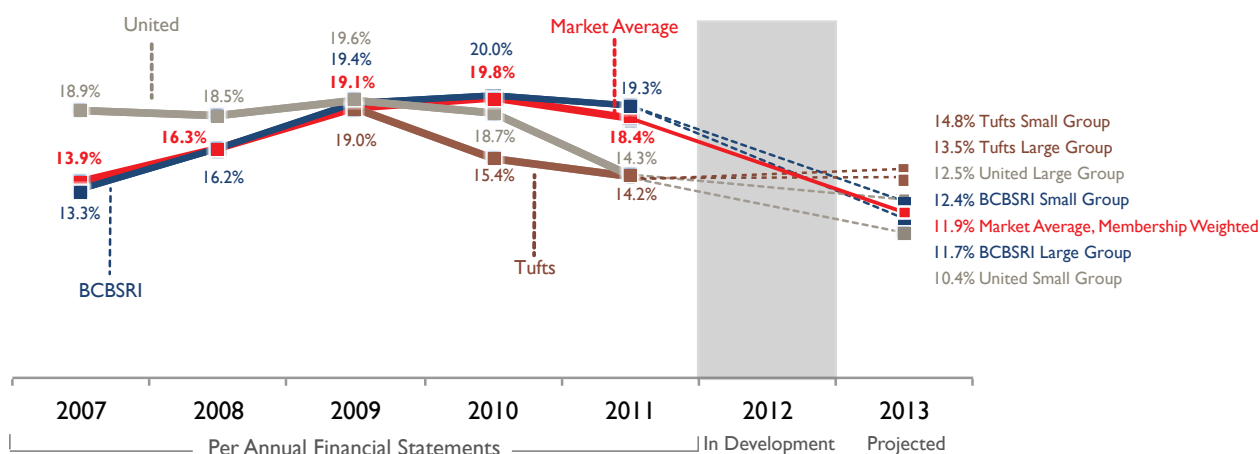
The table below shows that, between 2007 and 2011, a 23% drop in membership combined with a 12% rise in administrative spending led to a 44% increase in PMPM spending for the total market. Because this overall market result is weighted by membership, BCBSRI's experience -- lower membership and higher total spending -- drives the trend.

In contrast, for both Tufts and United, PMPM spending fell during the period. At United, both administrative costs and membership declined, leading to a PMPM decrease of 10%. Tufts, which joined the market in 2009 saw both sides of the equation rise, with membership growth outpacing administrative spending growth for a net impact of -30%.

	Total Administrative Costs			Member Months			Administrative Costs, PMPM		
	2007	2011	% Change	2007	2011	% Change	2007	2011	% Change
BCBSRI	\$100,746,665	\$121,420,201	21%	3,326,346	2,468,947	-26%	\$30.29	\$49.18	62%
Tufts (2009-2011)	\$2,122,289	\$2,259,427	6%	37,616	57,541	53%	\$56.42	\$39.27	-30%
United	\$31,171,890	\$23,729,097	-24%	677,015	570,050	-16%	\$46.04	\$41.63	-10%
Total Market (2007-2011)	\$131,918,555	\$147,408,725	12%	4,003,361	3,096,538	-23%	\$32.95	\$47.60	44%

How much premium is spent on administration?

Total Administration Expenses as a Percent of Total Premium
2007-2011 (Actual) and 2013 (Projected)



The percent of total premium that companies spent on total administrative expenses -- including claims adjustment expenses and cost containment expenses, explained further on page 4 -- rose from 13.9% in 2007 to 19.8% in 2010 and then began declining. Based on 2013 projected spending and premiums, the market-wide ratio is predicted to be 11.9% for all renewed business in 2013.

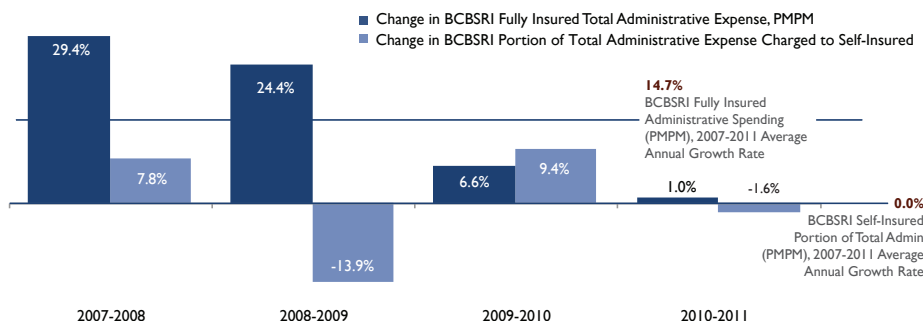
This decline may reflect trends in medical spending discussed previously in the *Historical Trend Analysis* report in this Rate Review series. Though medical claims volume is declining, the amount each company spends in medical care *per person per month* is increasing, potentially due to rising prices, more intense service mix, or more expensive sites of care. This rise in medical spending coupled with slower-growing PMPM premiums may translate into a lower proportion of premium spent on administration.

In the long run, the administrative expense ratio may be viewed as a measure of an insurer's efficiency, since it quantifies the amount of resources spent on paying and managing medical claims.

In the short run, however, a company may not be able to adjust its expenses at the same rate that premiums, which are closely tied to membership, change. In the 2012 rate review filings, both BCBSRI and Tufts identified more than half of their total administrative spending as fixed over the next five years. If a company loses a large group, its fixed expenses may take years to adjust to the new membership level. Companies may also take on multi-year projects with anticipated long-term efficiency benefits. One such example is BCBSRI's core operating system upgrade, the costs of which began in 2008 and will amortize over the system's life. As a result, annual changes are less instructive than the multi-year trend.

Self-Insured Administrative Spending

Annual Change in BCBSRI Administrative Costs
Fully Insured vs. Self-Insured, 2007-2011



The graph to the left compares BCBSRI's growth in fully-insured administrative costs PMPM (14.7%) to the growth in the portion of general administrative costs charged to the self-insured business (0.0%) between 2007 and 2011.

Though total PMPM premiums have risen for both fully-insured and self-insured groups, BCBSRI has not proportionately allocated the administrative portion of these increases between the two markets.

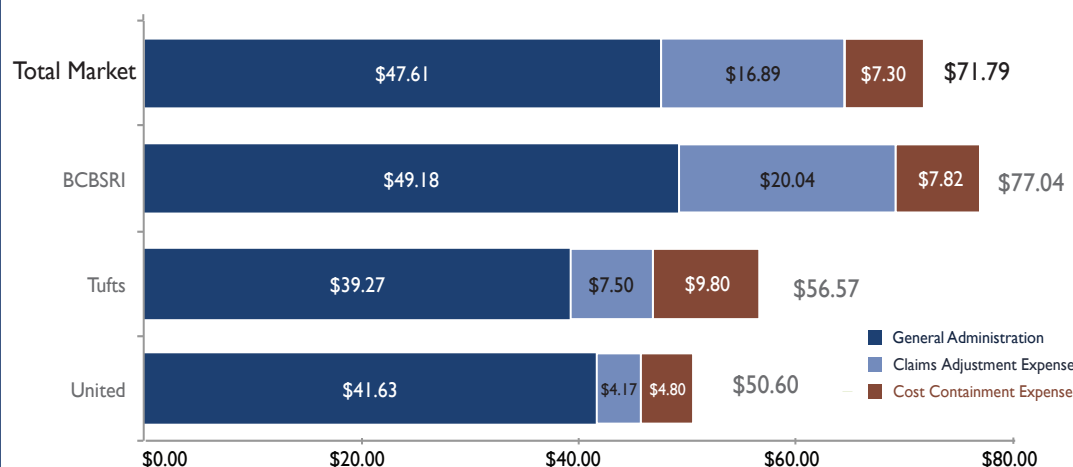
Both United and Tufts also have self-insured membership but did not submit similar data for analysis.

What is included in administrative spending?

The chart below shows the total level of administrative spending in 2011, the most recent year of actual data, for each of the three issuers as well as the total market. The largest component of administrative expenses are general administration expenses which include items such as payroll, commissions, marketing, and taxes. In 2011, general administration expenses ranged from \$39.27 PMPM at Tufts to \$49.18 PMPM at BCBSRI.

Because claims adjustment and cost containment expenses may reflect efforts by payers to reduce overall medical spending, the charts below track these categories separately from general administrative expenses, which relate primarily to company operations and paying medical claims. As the second graph below shows, all three companies have increased their cost containment resources during this period, ranging from a growth of 18% annually at BCBSRI to 49% at United.

Total Administrative Expenses by Major Category, 2011



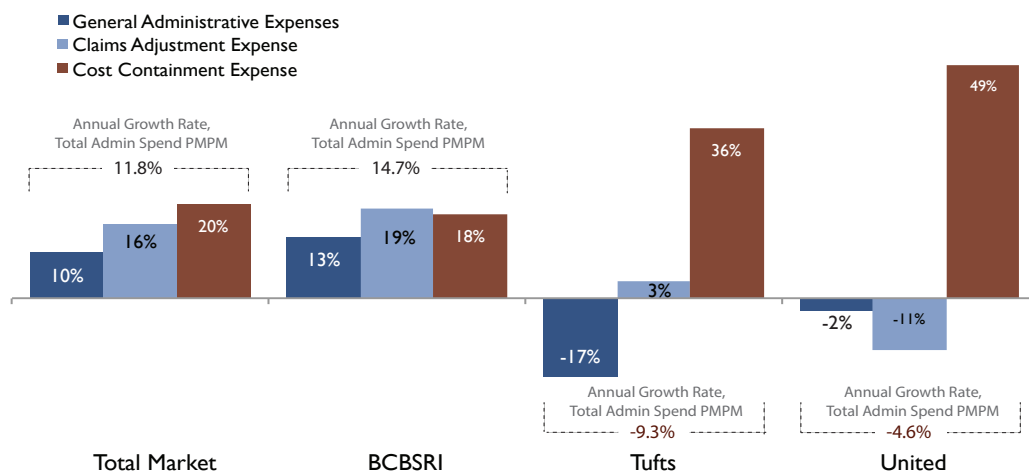
As shown on the graph below, market wide total administrative spending (PMPM) grew by 11.8% annually between 2007 and 2011, rising from \$45.99 in 2007 to \$71.79 in 2011.

General administrative expenses, which account for roughly two thirds of total administrative spending, rose by 10% annually.

Component growth was varied among the companies. Tufts' and United's cost containment spending grew by 36% and 49%, respectively, per year while general administrative spending fell at both companies.

How are these categories changing over time?

Average Annual Change in PMPM Administrative Expenses, 2007-2011



At BCBSRI, each of these components grew between 13% and 18% annually.

Another important component of administrative spending is **claims adjustment expenses**, which includes expenses to investigate, adjudicate and pay settled claims.

As the chart to the left shows, BCBSRI's claims adjustment expenses have grown at an average rate of 19% per year since 2007. The majority of this growth is due to its core operating system upgrade, also discussed on page 3 of this report.

Note: The annual growth rate for Tufts is calculated for the weighted sum of the HMO and PPO product data from 2009, when Tufts began selling in Rhode Island, to 2011.

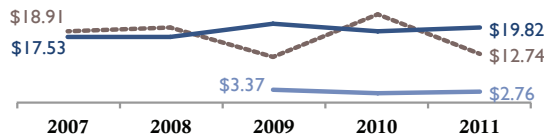
How has each part of administration changed?

The following graphs depict the change in selected areas of general administration expenses between 2007 and 2011 (2009-2011 for Tufts). The tables next to the charts show the average annual growth rate during the period and the projected spending in 2013, per member per month.

Areas of notable growth include Taxes, Licenses & Fees at BCBSRI, which rose by 200% annually (PMPM) between 2007 and 2011. Notable declines include Other Administration at Tufts (-54% annually), and Auditing and Consulting at United (-59%), and Marketing and Advertising at United (-27%).

It is important to note that differences in how companies determine their administrative spending for the Rhode Island population may drive some of the differences with these categories. As discussed earlier in the report, United and Tufts receive administrative allocations from their parent company based on Rhode Island membership and certain other factors. Blue Cross Blue Shield of Rhode Island only operates in Rhode Island and so spreads the company's full administrative costs over its membership base

Payroll & Benefits



	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	3.11%	\$14.64	\$10.38
Tufts	-9.38%	\$3.09	\$3.10
United	-9.40%	\$12.43	\$12.86

Outsourced Services



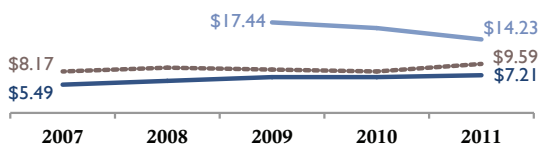
	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	3.75%	\$5.05	\$4.87
Tufts	159.88%	\$0.10	\$0.10
United	126.24%	\$2.25	\$2.33

Auditing & Consulting



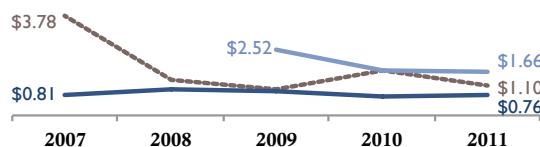
	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	19.95%	\$2.18	\$1.78
Tufts	12.85%	\$8.44	\$8.45
United	-58.79%	\$0.06	\$0.06

Commissions



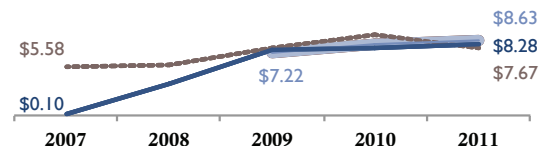
	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	7.07%	\$8.45	\$6.47
Tufts	-9.69%	\$14.68	\$12.47
United	4.09%	\$11.95	\$4.08

Marketing and Advertising



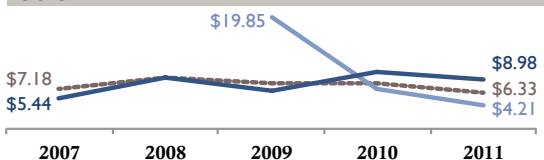
	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	-1.70%	\$0.38	\$0.31
Tufts	-19.00%	\$1.85	\$1.86
United	-26.55%	\$1.07	\$1.11

Taxes, Licenses, and Fees



	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	200.87%	\$8.67	\$8.28
Tufts	9.32%	\$9.61	\$9.63
United	8.28%	\$10.96	\$11.37

Other Admin



	Annual Growth 2007-2011	2013 Request	
		Small	Large
BCBSRI	13.35%	\$5.48	\$4.33
Tufts	-53.96%	\$4.75	\$4.70
United	-3.10%	\$4.76	\$4.93

APPENDIX | Total Market Administrative Spending, Weighted by Membership

	Annual Value					Year over Year Change					Annual Growth Rate
	2007	2008	2009	2010	2011	2007-2008	2008-2009	2009-2010	2010-2011	2007-2011	
(1) Total Premiums	1,326,925,804	1,260,201,395	1,159,096,414	1,080,754,170	1,209,368,614	-5.0%	-8.0%	-6.8%	11.9%	-2.3%	
(2) Total General Administrative Expense	131,918,555	147,157,375	151,640,417	146,554,556	147,408,725	11.6%	3.0%	-3.4%	0.6%	2.8%	
(3) General Admin Exp. Ratio: (2) / (1)	9.94%	11.68%	13.08%	13.56%	12.19%	17.5%	12.0%	3.7%	-10.1%	5.2%	
(4) Total Admin Expense Ratio: (9) / (1)	13.87%	16.27%	19.11%	19.79%	18.38%	17.2%	17.5%	3.6%	-7.1%	7.3%	
(5) Total Fully Insured Member Months	4,003,361	3,581,981	3,157,369	2,844,532	3,096,538	-10.5%	-11.9%	-9.9%	8.9%	-6.2%	
(6) General Administrative Expense (\$/pmpm): (2) / (5)	\$32.95	\$41.08	\$48.03	\$51.52	\$47.61	24.7%	16.9%	7.3%	-7.6%	9.6%	
(7) Cost Containment Expense (\$/pmpm)	\$3.57	\$3.72	\$5.30	\$7.32	\$7.30	4.2%	42.5%	38.0%	-0.3%	19.6%	
(8) Other Claim Adjustment Expense (\$/pmpm)	\$9.47	\$12.42	\$16.84	\$16.36	\$16.89	31.2%	35.6%	-2.8%	3.2%	15.6%	
(9) Total Administrative Expense (\$/pmpm): (6) + (7) + (8)	\$45.99	\$57.22	\$70.18	\$75.20	\$71.79	24.4%	22.6%	7.2%	-4.5%	11.8%	
Breakdown of administrative costs (\$/PM/PM)											
a. Payroll and Benefits	\$17.77	\$17.78	\$19.86	\$18.77	\$18.20	0.1%	11.7%	-5.5%	-3.0%	0.6%	
b. Outsourced Services (EDP, claims, etc.)	\$7.74	\$7.61	\$8.78	\$11.43	\$9.30	-1.7%	15.4%	30.2%	-18.7%	4.7%	
c. Auditing and consulting	\$2.18	\$5.35	\$5.89	\$5.94	\$3.78	145.8%	10.1%	0.7%	-36.3%	14.8%	
d. Commissions	\$5.94	\$6.48	\$7.10	\$7.23	\$7.78	9.1%	9.5%	1.8%	7.6%	7.0%	
e. Marketing and Advertising	\$1.31	\$1.04	\$0.92	\$0.80	\$0.84	-20.7%	-11.3%	-13.2%	4.3%	-10.7%	
f. Legal Expenses	\$0.88	\$0.30	\$0.23	\$0.32	\$0.36	-66.0%	-21.8%	35.4%	14.3%	-19.9%	
g. Taxes Licenses and Fees	\$1.03	\$3.99	\$7.52	\$7.89	\$8.18	287.8%	88.7%	4.9%	3.6%	68.0%	
h. Reimbursements by Uninsured Plans	(\$9.63)	(\$10.64)	(\$9.46)	(\$10.78)	(\$9.24)	59.8%	-21.7%	38.1%	-15.3%	10.0%	
i. Other Admin Expenses	\$5.74	\$9.17	\$7.18	\$9.92	\$8.41	24.7%	16.9%	7.3%	-7.6%	9.6%	
Total	\$32.95	\$41.08	\$48.03	\$51.52	\$47.61						
Total Self Insured Member Months	3,474,863	3,536,056	3,876,223	3,398,791	3,588,860	-1.8%	9.6%	-12.3%	5.6%	0.8%	

Historical

The historical data above, covering 2007-2011, reflects figures as filed with the National Association of Insurance Commissioners (NAIC) as of the end of each calendar year. This data is distinct from the data that issuers use to project spending in 2013, shown in the lower left tables on the following pages.

The data submitted to the NAIC does not include member activity that happened in the calendar year but was not reported in the calendar year, otherwise known as **claims run-out**. The data to the left does include this retro-activity. For example, 90% of a given year's claims are generally reported within three months of the end of the calendar year.

The NAIC data also includes information on individual members, Federal Employee Health Plans and reimbursements by self-insured plans.

APPENDIX | Blue Cross Blue Shield of Rhode Island Administrative Spending Submission

	Annual Value					Year over Year Change					Annual Growth Rate	
	2007	2008	2009	2010	2011	2007-2008	2008-2009	2009-2010	2010-2011	2007-2011	2007-2011	2007-2011
(1) Total Premiums	1,108,466,606	1,079,151,863	1,025,508,205	994,470,562	984,903,252	-2.6%	-5.0%	-3.0%	-1.0%	-2.9%	-2.9%	-2.9%
(2) Total General Administrative Expense	100,746,665	121,463,184	132,106,574	133,474,919	121,420,201	20.6%	8.8%	1.0%	-9.0%	4.8%	4.8%	4.8%
(3) General Admin Exp. Ratio: (2) / (1)	9.09%	11.26%	12.88%	13.42%	12.33%	23.8%	14.5%	4.2%	-8.1%	7.9%	7.9%	7.9%
(4) Total Admin Expense Ratio: (9) / (1)	13.34%	16.25%	19.36%	19.97%	19.31%	21.8%	19.1%	3.2%	-3.3%	9.7%	9.7%	9.7%
(5) Total Fully Insured Member Months	3,326,346	3,049,827	2,775,423	2,603,304	2,468,947	-8.3%	-9.0%	-6.2%	-5.2%	-7.2%	-7.2%	-7.2%
(6) General Administrative Expense (\$pmpm): (2) / (5)	\$30.29	\$39.83	\$47.60	\$51.27	\$49.18	31.5%	19.5%	7.7%	-4.1%	12.9%	12.9%	12.9%
(7) Cost Containment Expense (\$pmpm)	\$4.10	\$4.30	\$5.73	\$7.58	\$7.82	4.8%	33.5%	32.3%	3.1%	17.5%	17.5%	17.5%
(8) Other Claim Adjustment Expense (\$pmpm)	\$10.06	\$13.38	\$18.19	\$17.42	\$20.04	33.0%	35.9%	-4.2%	15.1%	18.8%	18.8%	18.8%
(9) Total Administrative Expense (\$pmpm): (6) + (7) + (8)	\$44.44	\$57.50	\$71.52	\$76.27	\$77.04	29.4%	24.4%	6.6%	1.0%	14.7%	14.7%	14.7%
Breakdown of General Administrative Expenses (\$ pmpm)												
Payroll and benefits	\$17.53	\$17.40	\$21.04	\$18.84	\$19.82	-0.8%	20.9%	-10.4%	5.2%	3.1%	3.1%	3.1%
Outsourced Services	\$9.28	\$8.93	\$8.62	\$12.13	\$10.75	-3.8%	-3.4%	40.6%	-11.3%	3.8%	3.8%	3.8%
Auditing and consulting	\$2.20	\$5.75	\$6.38	\$6.18	\$4.55	161.6%	10.9%	-3.0%	-26.4%	20.0%	20.0%	20.0%
Commissions	\$5.49	\$6.06	\$6.78	\$6.96	\$7.21	10.4%	11.9%	2.6%	3.7%	7.1%	7.1%	7.1%
Marketing and Advertising	\$0.81	\$0.99	\$0.89	\$0.72	\$0.76	22.2%	-9.8%	-19.7%	5.5%	-1.7%	-1.7%	-1.7%
Legal Expenses	\$1.02	\$0.33	\$0.25	\$0.32	\$0.40	-67.6%	-23.9%	28.8%	24.7%	-20.7%	-20.7%	-20.7%
Taxes, Licenses and Fees	\$0.10	\$3.68	\$7.49	\$7.79	\$8.28	3539.6%	103.7%	4.0%	6.3%	200.9%	200.9%	200.9%
Reimbursements by Self-Insured Plans	(\$11.59)	(\$12.49)	(\$10.76)	(\$11.78)	(\$11.59)	7.8%	-13.9%	9.4%	-1.6%	0.0%	0.0%	0.0%
Other Admin Expenses	\$5.44	\$9.18	\$6.90	\$10.11	\$8.98	68.7%	-24.8%	46.4%	-11.1%	13.3%	13.3%	13.3%
Total	\$30.29	\$39.83	\$47.60	\$51.27	\$49.18	31.5%	19.5%	7.7%	-4.1%	12.9%	12.9%	12.9%
Total Self Insured Member Months	2,409,639	2,474,355	2,677,918	2,448,365	2,625,181	2.7%	8.2%	-8.6%	7.2%	2.2%	2.2%	2.2%

Historical

Projections

	2011 Actual		2013 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
(1) Total Estimated Premiums	\$335,980,222	\$583,043,514	\$417,726,011	\$642,056,420	24.3%	10.1%
(2) Estimated General Administrative Expense	\$37,707,584	\$56,086,768	\$37,242,377	\$50,003,352	-1.2%	-10.8%
(3) General Admin Exp. Ratio: (2) / (1)	11.2%	9.6%	8.9%	7.8%	-20.6%	-19.0%
(4) Total Admin Expense Ratio: (9) / (1)	15.6%	14.5%	12.4%	11.7%	-20.6%	-19.0%
(5) Total Fully Insured Member Months	816,413	1,472,976	825,640	1,365,147	1.1%	-7.3%
Total Estimated Premium, (\$pmpm)	\$411.53	\$395.83	\$505.94	\$470.32	22.9%	18.8%
(6) General Administrative Expense (\$pmpm): (2) / (5)	\$46.19	\$38.08	\$45.11	\$36.63	-2.3%	-3.8%
(7) Cost Containment Expense (\$pmpm)	\$6.80	\$6.32	\$6.64	\$6.08	-2.3%	-3.8%
(8) Other Claim Adjustment Expense (\$pmpm)	\$11.11	\$12.82	\$10.85	\$12.33	-3.8%	-3.8%
(9) Total Administrative Expense (\$pmpm): (6) + (7) + (8)	\$64.10	\$57.22	\$62.60	\$55.04	-2.3%	-3.8%
Breakdown of General Administrative Expense (\$ pmpm)						
a. Payroll and benefits	\$14.99	\$10.79	\$14.64	\$10.38	-2.3%	-3.8%
b. Outsourced Services (EDP, claims etc.)	\$5.17	\$5.06	\$5.05	\$4.87	-2.3%	-3.8%
c. Auditing and consulting	\$2.23	\$1.85	\$2.18	\$1.78	-2.3%	-3.8%
d. Commissions	\$8.65	\$6.72	\$8.45	\$6.47	-2.3%	-3.8%
e. Marketing and Advertising	\$0.39	\$0.33	\$0.38	\$0.31	-2.3%	-3.8%
f. Legal Expenses	\$0.26	\$0.21	\$0.25	\$0.20	-2.3%	-3.8%
g. Taxes, Licenses and Fees	\$8.88	\$8.61	\$8.67	\$8.28	-2.3%	-3.8%
h. Reimbursements by Uninsured Plans	\$5.62	\$4.50	\$5.48	\$4.33	-2.3%	-3.8%
i. Other Admin Expenses	\$46.19	\$38.08	\$45.11	\$36.63	-2.3%	-3.8%
Total	\$46.19	\$38.08	\$45.11	\$36.63	-2.3%	-3.8%

The historical data above, covering 2007-2011, reflects figures as filed with the National Association of Insurance Commissioners (NAIC) as of the end of each calendar year. The data in the box to the left reflects actual data for 2011 and estimated data for 2013.

The data submitted to the NAIC does not include member activity that happened in the calendar year but was not reported in the calendar year, otherwise known as **claims run-out**. The data to the left does include this retro-activity. For example, 90% of a given year's claims are generally reported within three months of the end of the calendar year.

The NAIC data also includes information on individual members, Federal Employee Health Plans and reimbursements by self-insured plans.

APPENDIX | Tufts Health Plan Administrative Spending Submission

	Annual Value					Year over Year Change					Annual Growth Rate
	2007	2008	2009	2010	2011	2007-2008	2008-2009	2009-2010	2010-2011	2007-2011	
(1) Total Premiums	PPO + HMO		13,585,944	23,938,084	22,887,475	76.2%	-4.4%	29.8%			
(2) Total General Administrative Expense			2,122,289	2,620,440	2,259,427	23.5%	-13.8%	3.2%			
(3) General Admin Exp. Ratio: (2) / (1)			15.62%	10.95%	9.87%	-29.9%	-9.8%	-20.5%			
(4) Total Admin Expense Ratio: (9) / (1)			19.04%	15.40%	14.22%	-19.1%	-7.7%	-13.6%			
(5) Total Fully Insured Member Months			37,616	63,963	57,541	70.0%	-10.0%	23.7%			
(6) General Administrative Expense (\$pmpm): (2) / (5)			\$56.42	\$40.97	\$39.27	-27.4%	-4.2%	-16.6%			
(7) Cost Containment Expense (\$pmpm)			\$5.33	\$8.51	\$9.80	59.7%	15.1%	35.6%			
(8) Other Claim Adjustment Expense (\$pmpm)			\$7.01	\$8.15	\$7.50	16.3%	-8.0%	3.4%			
(9) Total Administrative Expense (\$pmpm): (6) + (7) + (8)			\$68.76	\$57.63	\$56.56	-16.2%	-1.9%	-9.3%			
Breakdown of General Administrative Expense (\$pmpm)											
a. Payroll and benefits			\$3.37	\$2.49	\$2.76	-25.9%	10.8%	-9.4%			
b. Outsourced Services (EDP, claims etc.)			\$0.01	\$0.01	\$0.09	-38.7%	1001.7%	159.9%			
c. Auditing and consulting			\$5.92	\$4.93	\$7.54	-16.8%	53.1%	12.9%			
d. Commissions			\$17.44	\$16.38	\$14.23	-6.1%	-13.1%	-9.7%			
e. Marketing and Advertising			\$2.52	\$1.72	\$1.66	-31.9%	-3.6%	-19.0%			
f. Legal Expenses			\$0.08	\$0.11	\$0.16	42.3%	43.3%	42.8%			
g. Taxes, Licenses and Fees			\$7.22	\$8.25	\$8.63	14.2%	4.6%	9.3%			
h. Reimbursements by Uninsured Plans			\$0.00	\$0.00	\$0.00	-64.4%	-40.5%	-54.0%			
i. Other Admin Expenses			\$19.85	\$7.07	\$4.21	-27.4%	-4.1%	-16.6%			
Total			\$56.42	\$40.95	\$39.27	-100.0%		-92.4%			
Total Self Insured Member Months			227,388	0	1,324						

Historical

Projections

	2011 Actual		2013 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
(1) Total Estimated Premiums	\$4,297,664	\$18,589,811	\$4,292,597	\$20,440,537	-0.1%	10.0%
(2) Estimated General Administrative Expense	\$445,080	\$1,814,347	\$436,039	\$1,865,242	-2.0%	2.8%
(3) General Admin Exp. Ratio: (2) / (1)	10.4%	9.8%	10.2%	9.1%	-1.9%	-6.5%
(4) Total Admin Expense Ratio: (9) / (1)	15.2%	14.0%	14.8%	13.5%	-3.5%	-4.0%
(5) Total Fully Insured Member Months	11,287	46,254	10,212	46,080	-9.5%	-0.4%
Total Estimated Premium, (\$pmpm)	\$380.76	\$401.91	\$420.35	\$443.59	10.4%	10.4%
(6) General Administrative Expense (\$pmpm): (2) / (5)	\$39.43	\$39.23	\$42.70	\$40.48	8.3%	3.2%
(7) Cost Containment Expense (\$pmpm)	\$10.43	\$9.64	\$10.97	\$10.99	5.2%	14.0%
(8) Other Claim Adjustment Expense (\$pmpm)	\$7.99	\$7.38	\$8.40	\$8.41	5.2%	14.0%
(9) Total Administrative Expense (\$pmpm): (6) + (7) + (8)	\$57.85	\$56.25	\$62.07	\$59.88	7.3%	6.5%
Breakdown of General Administrative Expense (\$pmpm)						
Payroll and benefits	\$2.94	\$2.72	\$3.09	\$3.10	5.2%	14.0%
Outsourced Services	\$0.09	\$0.09	\$0.10	\$0.10	5.2%	14.0%
Auditing and consulting	\$8.02	\$7.42	\$8.44	\$8.45	5.2%	14.0%
Commissions	\$13.43	\$14.42	\$14.68	\$12.47	9.3%	-13.5%
Marketing and Advertising	\$1.76	\$1.63	\$1.85	\$1.86	5.2%	14.0%
Legal Expenses	\$0.17	\$0.16	\$0.18	\$0.18	5.2%	14.0%
Taxes, Licenses and Fees	\$8.26	\$8.72	\$9.61	\$9.63	16.3%	10.3%
Reimbursements by Self-Insured Plans	\$0.00	\$0.00	\$0.00	\$0.00		
Other Admin Expenses	\$4.76	\$4.07	\$4.75	\$4.70	-0.1%	15.3%
Total	\$39.43	\$39.23	\$42.70	\$40.48	8.3%	3.2%

The historical data above, covering 2007-2011, reflects figures as filed with the National Association of Insurance Commissioners (NAIC) as of the end of each calendar year. This data is distinct from the data that issuers use to project spending in 2013, shown in the lower left tables on the following pages.

The data submitted to the NAIC does not include member activity that happened in the calendar year but was not reported in the calendar year, otherwise known as **claims run-out**.

The data to the left does include this retro-activity. For example, 90% of a given year's claims are generally reported within three months of the end of the calendar year.

The NAIC data also includes information on individual members, Federal Employee Health Plans and reimbursements by self-insured plans.

APPENDIX | United Healthcare Administrative Spending Submission

	Annual Value					Year over Year Change					Annual Growth Rate
	2007	2008	2009	2010	2011	2007-2008	2008-2009	2009-2010	2010-2011	2007-2011	
(1) Total Premiums	218,459,198	181,049,532	120,002,265	62,345,524	201,577,887	-17.1%	-33.7%	-48.0%	223.3%	-2.0%	
(2) Total General Administrative Expense	31,171,890	25,694,191	17,411,554	10,459,197	23,729,097	-17.6%	-32.2%	-39.9%	126.9%	-6.6%	
(3) General Admin Exp. Ratio: (2) / (1)	14.27%	14.19%	14.52%	16.78%	11.77%	-0.6%	2.3%	15.6%	-29.8%	-4.7%	
(4) Total Admin Expense Ratio: (9) / (1)	16.61%	16.36%	17.08%	18.74%	14.31%	-1.5%	4.4%	9.7%	-23.6%	-3.7%	
(5) Total Fully Insured Member Months	799,482	677,015	532,154	344,330	177,265	-15.3%	-21.4%	-35.3%	-48.5%	-31.4%	
(6) General Administrative Expense (\$pmpm): (2) / (5)	\$46.06	\$48.29	\$50.59	\$59.00	\$41.63	4.8%	4.8%	16.6%	-29.4%	-2.5%	
(7) Cost Containment Expense (\$pmpm)	\$0.98	\$0.43	\$1.84	\$3.06	\$4.80	-56.1%	327.9%	66.3%	56.9%	48.8%	
(8) Other Claim Adjustment Expense (\$pmpm)	\$6.55	\$6.94	\$7.09	\$3.84	\$4.17	6.0%	2.2%	-45.8%	8.6%	-10.7%	
(9) Total Administrative Expense (\$pmpm): (6) + (7) + (8)	\$53.59	\$55.66	\$59.52	\$65.90	\$50.60	3.9%	6.9%	10.7%	-23.2%	-1.4%	
Breakdown of administrative costs (\$PNMPP)											
a. Payroll and Benefits	\$18.91	\$19.96	\$12.14	\$23.56	\$12.74	5.6%	-39.2%	94.1%	-45.9%	-9.4%	
b. Outsourced Services (EDP, claims, etc.)	\$0.15	\$0.02	\$10.99	\$5.34	\$3.93	-86.7%	54850.0%	-51.4%	-26.4%	126.2%	
c. Auditing and consulting	\$2.08	\$3.09	\$1.99	\$2.64	\$0.06	48.6%	-35.6%	32.7%	-97.7%	-58.8%	
d. Commissions	\$8.17	\$8.92	\$8.56	\$7.98	\$9.59	9.2%	-4.0%	-6.8%	20.2%	4.1%	
e. Marketing and Advertising	\$3.78	\$1.33	\$0.99	\$1.71	\$1.10	-64.8%	-25.6%	72.7%	-35.7%	-26.6%	
f. Legal Expenses	\$0.21	\$0.13	\$0.12	\$0.31	\$0.21	-38.1%	-7.7%	158.3%	-32.3%	0.0%	
g. Taxes Licenses and Fees	\$5.58	\$5.74	\$7.76	\$9.21	\$7.67	2.9%	35.2%	18.7%	-16.7%	8.3%	
h. Reimbursements by Uninsured Plans	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						
i. Other Admin Expenses	\$7.18	\$9.10	\$8.04	\$8.25	\$6.33	26.7%	-11.6%	2.6%	-23.3%	-3.1%	
Total	\$46.06	\$48.29	\$50.59	\$59.00	\$41.63	4.8%	6.9%	16.6%	-29.4%	-2.5%	
Total Self Insured Member Months	1,065,197	1,061,701	970,917	950,426	962,355	-0.3%	-8.6%	-2.1%	1.3%	-2.5%	

Historical

	2011 Actual		2013 Proposed		% Change	
	Small Group	Large Group	Small Group	Large Group	Small Group	Large Group
(1) Total Estimated Premiums	\$76,228,441	\$125,349,446	\$85,822,958	\$119,168,173	12.6%	4.9%
(2) Estimated General Administrative Expense	\$9,061,764	\$14,667,333	\$9,718,535	\$10,926,485	7.2%	-25.5%
(3) General Admin Exp. Ratio: (2) / (1)	11.9%	11.7%	11.3%	9.2%	-4.7%	-21.6%
(4) Total Admin Expense Ratio: (9) / (1)	14.5%	14.2%	12.5%	10.4%	-13.8%	-26.8%
(5) Total Fully Insured Member Months	222,812	347,238	222,443	295,710	-0.2%	-14.8%
Total Estimated Premium, (\$pmpm)	\$342.12	\$360.99	\$385.82	\$402.99	12.8%	11.6%
(6) General Administrative Expense (\$pmpm): (2) / (5)	40.67	42.24	\$43.69	\$36.95	7.4%	-12.5%
(7) Cost Containment Expense (\$pmpm)	4.85	4.77	\$2.50	\$2.59	-48.5%	-45.7%
(8) Other Claim Adjustment Expense (\$pmpm)	4.21	4.14	\$2.17	\$2.24	-48.5%	-45.9%
(9) Total Administrative Expense (\$pmpm): (6) + (7) + (8)	\$49.73	\$51.15	\$48.36	\$41.78	-2.8%	-18.3%
Breakdown of General Administrative Expense (\$ pmpm)						
Payroll and benefits	\$12.33	\$13.00	\$12.43	\$12.86	0.8%	-1.1%
Outsourced Services	\$3.68	\$4.09	\$2.25	\$2.33	-38.9%	-43.0%
Auditing and consulting	\$0.06	\$0.06	\$0.06	\$0.06	0.0%	0.0%
Commissions	\$10.74	\$8.86	\$11.95	\$4.08	11.3%	-54.0%
Marketing and Advertising	\$1.06	\$1.12	\$1.07	\$1.11	0.9%	-0.9%
Legal Expenses	\$0.20	\$0.21	\$0.21	\$0.21	5.0%	0.0%
Taxes, Licenses and Fees	\$7.36	\$7.87	\$10.96	\$11.37	48.9%	44.5%
Reimbursements by Self-Insured Plans	\$0.00	\$0.00	\$0.00	\$0.00		
Other Admin Expenses	\$5.24	\$7.03	\$4.76	\$4.93	-9.2%	-29.9%
Total	\$40.67	\$42.24	\$43.69	\$36.95	-7.4%	-12.5%

Projections

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